

**OFFICE OF THE MISSISSIPPI SECRETARY OF STATE
SECURITIES DIVISION**

IN THE MATTER OF)	
)	
LOUGEL FADIO LLC MINING)	
COMPANY (SL) LIMITED,)	Administrative CD Order
ARTHUR M. "MAC" CLEMENTS,)	
INDIVIDUALLY,)	Number LS-18-3135
AND AMADOU LY, INDIVIDUALLY)	
)	
<i>Respondents</i>)	

**ORDER TO CEASE AND DESIST, TO PAY RESTITUTION, AND
TO PAY ADMINISTRATIVE PENALTY**

WHEREAS, the Securities Division of the Mississippi Secretary of State ("Division"), has the authority to administer and provide for the enforcement of all provisions of the Mississippi Securities Act ("Act") codified at Mississippi Code Annotated Sections 75-71-101, *et seq.*; and

WHEREAS, Respondents have violated the anti-fraud provisions of the Act; and

WHEREAS, the Division is authorized to issue an order requiring a person to pay restitution for any loss or to disgorge any profits arising from violations of the Act or a rule adopted or order issued under the Act; to impose a civil penalty for violations of the Act or a rule adopted or order issued under the Act; and to direct any person to cease and desist from engaging in the act, practice, or course of business when the Administrator determines a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of the Act or a rule adopted or order issued under the Act; and

WHEREAS, action by the Division in this instance is necessary and appropriate in the public interest and for the protection of investors and is consistent with the purposes fairly intended by the policy and provisions of the Act;

NOW, THEREFORE, the Division, as Administrator of the Act, hereby enters its Order to Cease and Desist, to Pay Restitution, and to Pay Administrative Penalty:

I. PARTIES

1. The Secretary of State ("Administrator") has the authority, pursuant to the Act, to administer and enforce the Act and to regulate the offer and sale of securities in Mississippi, including the firms and persons who offer or sell securities or who provide investment advice regarding securities.
2. Respondent Lougel Fadio LLC Mining Company (SL), Limited ("Lougel Fadio") is a foreign entity purported to be incorporated in the country of Sierra Leone, Africa with no known address.
3. Respondent Arthur M. "Mac" Clements ("Clements") is a Mississippi resident with a last known address of 504 Country Place Cove, Pearl, Mississippi 39208.
4. Respondent Amadou Ly ("Ly") is a purported Senegalese national with no known address.

Events

5. In approximately 2009, Clements met investor "PM" through friends at church. Clements and PM were involved romantically for a period of time, but eventually became platonic friends and currently live together. Clements met investor "DE" – PM's mother – through PM. PM is approximately 72 years old. DE is approximately 94 years old.
6. Around the same time Clements met PM and DE, Clements also met Respondent Ly through a business acquaintance. To date, Clements has only met Ly on one occasion, but states that he and Ly are business partners in Lougel Fadio. Clements has not provided any proof of his ownership of Lougel Fadio.
7. Sometime in 2016, Clements told PM that Ly, through Lougel Fadio, was involved in

gold mining operations in Sierra Leone and needed assistance getting gold out of Africa and into the United States. Around the same time, Clements introduced PM by telephone to Ly as his business associate and Ly confirmed Clements' statements concerning the gold mining operations and the need for her assistance in getting gold out of Africa and into the United States.

8. Clements told PM, and Ly confirmed, that Clements was a partner in Lougel Fadio and that her investment would make her a partner in the gold mining operation, too. Based on Clements' and Ly's representations, PM invested directly into Lougel Fadio and/or gave Clements funds to invest into Lougel Fadio.

9. The Division's review of bank records of PM, DE, and Clements from late 2015 to the present revealed that in December 2015, Clements began sending money to Lougel Fadio. From December 2015 to the time the Division's investigation began, Clements wired a total of \$82,520.00 to Lougel Fadio, and he either wrote checks to the company or Ly, or he wrote checks to "cash" with "Amadou" in the memo line, totaling \$23,047.00, for a total transfer to Lougel Fadio and/or Ly of \$105,567.00.

10. During the course of the investigation, Clements told the Division that he "had put \$100,000 of his own money" into the company, but this was not evidenced in Clements' bank records. Instead, Clements invested PM's and DE's money, not his own. For instance, in March 2016, Clements wrote a check to cash for \$4,550.00, with "Amadou" in the memo line. On the same day, he made a deposit of \$5,000 made up of two checks Clements received from PM. In fact, during the same time period in which Clements transferred \$105,567.00 to Lougel Fadio and/or Ly, PM and DE wrote checks to Clements totaling \$92,461.00.

11. The Division's review of bank records revealed that Clements had very little money of his own during the relevant review period. For the 12 months of 2016, for instance, Clements had \$468.00 in overdraft fees and \$108.00 in returned item fees. His average starting balance for

the months of 2016 was \$368.42, but this included Clements cashing out an MPACT (college savings) account in June 2016 to obtain approximately \$13,600.00, and beginning July with a balance of \$5,288.44. For the other 11 months of 2016, Clements' average beginning balance was \$-78.85.

12. In June 2016, when Clements cashed out the college savings plan, he wrote a check to cash for \$2,500.00 with "Amadou London" in the memo line. In July, he wrote another check to cash with the same memo line for \$4,000.00. These appear to be the largest investments that could have come directly from Clements' own funds.

13. Even after cashing out the college savings plan, Clements began the month of August with \$40.82 in his account, and began the month of September with \$0.37 in his account. Aside from the money Clements obtained from cashing out the college savings account, and a small income from a credit card processing business, the Division did not find any evidence in bank records that Clements had the means to invest \$100,000.00 into Lougel Fadio during the period when he wired or gave cash to Ly totaling \$105,567.00. Clements' average beginning bank balance for the 12 months of 2017 was \$107.94. For the first 6 months of 2018, the average beginning balance of his bank account was \$10.44. A review of PM's and DE's bank records for the same time period show that at least \$92,461.00 of Clements total investment came directly from PM and DE.

14. Clements has a Charles Schwab ("Schwab") account. However, PM gave Clements a \$1,000.00 check in February 2018 to open the Schwab account. Clements' Schwab account has never had a balance greater than the initial \$1,000.00 and had a balance of \$1.07 at the time of the Division's review of his records.

15. In addition to checks written to Clements, PM also deposited money directly into

Clements' account. On February 14, 2018, PM deposited \$54,000.00 in to Clements' account. Clements immediately wired the \$54,000.00 to Lougel Fadio.

16. On the same day PM deposited \$54,000.00 into Clements' account, she wired \$96,000.00 directly to Lougel Fadio. The total \$150,000.00 invested on February 14, 2018 came from a home equity line of credit secured by PM's home residence.

17. On June 11, 2018, PM requested that \$135,000.00 be wired from a Schwab retirement account she held jointly with her mother to Lougel Fadio's bank account in Sierra Leone, but Schwab flagged the transaction request as suspicious and did not honor the wire request.

18. Clements continued to urge PM to get the funds for investment and, on June 13, 2018, PM wrote two separate checks from the Schwab account that PM held jointly with DE – one for \$60,000.00 and another for \$90,000.00 – to withdraw funds from the account. PM deposited the Schwab account checks into two different local bank accounts.

19. On June 22, 2018, PM wired \$55,000.00 to Lougel Fadio from one of the accounts. Around the same time, PM made a cash withdrawal from the other account in the amount of \$80,050.00, although the Division could not find evidence that this money was transferred to Clements, Ly, or Lougel Fadio.

20. Between December 2015 and June 2018, upon Clements's advice, PM and her mother invested at least \$297,461.00 in total with either Clements, Ly, or Lougel Fadio.

21. Clements promised PM that she and her mother would receive a return of \$1,000,000.00 on their investments by August of 2018. To date, PM and DE have seen no return on their investment.

22. After being notified by Schwab of the suspicious wire transfer request, the Division spoke with Clements on July 5, 2018. The Division initially inquired about Clements' involvement with Lougel Fadio. During the phone conversation, however, Clements gave details

common to other fraudulent internet schemes. For instance, Clements advised the Division that some of PM's and DE's funds would be used to secure the release of "cash, diamonds, gold, and securities worth millions" that were in a "lock box being held by the Red Cross" and that investors would be rewarded when the contents of the lock box were safely in a bank. Clements also advised that the lock box's contents belonged to an African billionaire named Tony Elemelu who needed their help. Clements told PM that some of her investment was needed for this purpose.

23. During the July 5, 2018 phone conversation, Clements misrepresented to the Division that he and PM were married. The Division learned during the course of its investigation that Clements made the same false statement to Schwab representatives in an attempt to gain electronic access to PM's account. Clements and PM were never married.

24. The Division interviewed Clements in person on or about July 17, 2018. Clements advised the Division that the business was legitimate and had a "big payoff coming soon" but could offer no details. Clements advised that he had been in business with Ly for 8-10 years but could not answer any questions about basic financials of the company or how PM's and DE's money already invested had been used and could not prove any ownership of Lougel Fadio or partnership with Ly.

II. APPLICABLE LAW

25. Miss. Code Ann. § 75-71-102 sets forth:

Definitions.

(1) "Administrator" means the Secretary of State.

(28) "Security" means a note; stock; treasury stock; security future; bond; debenture; evidence of indebtedness; certificate of interest or participation in a profit-sharing agreement; collateral trust certificate; preorganization certificate or

subscription; transferable share; investment contract; voting trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; put, call, straddle, option, or privilege on a security, certificate of deposit, or group or index of securities, including an interest therein or based on the value thereof; put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency; or, in general, an interest or instrument commonly known as a "security"; or a certificate of interest or participation in, temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. The term includes both a certificated and an uncertificated security. The term does not include an insurance or endowment policy or annuity contract under which an insurance company promises to pay a sum of money either in a lump sum or periodically for life or other specified period; or an interest in a contributory or noncontributory pension or welfare plan subject to the Employee Retirement Income Security Act of 1974. An "investment contract" includes, among other contracts, an investment in a limited partnership, an interest in a limited liability company, an investment in a viatical settlement or similar agreement, and an investment in a common enterprise with the expectation of profits to be derived primarily from the efforts of a person other than the investor and a "common enterprise" means an enterprise in which the fortunes of the investor are interwoven with those of either the person offering the investment, a third party, or other investors.

26. Miss. Code Ann. § 75-71-501 sets forth:

General fraud. It is unlawful for a person, in connection with the offer, sale, or purchase of a security, directly or indirectly:

- (1) To employ a device, scheme, or artifice to defraud;
- (2) To make an untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; or
- (3) To engage in an act, practice, or course of business that operates or would operate as a fraud or deceit upon another person.

27. The Division may employ remedies set out in Miss. Code Ann. § 75-71-604 of the Act:

Administrative enforcement.

- (a) Issuance of an order or notice. If the Administrator determines that a person has engaged, is engaging, or is about to engage in an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter or that a person has materially aiding, or is about to materially aid an act, practice, or course of business constituting a violation of this chapter or a rule adopted or order issued under this chapter, the Administrator may:

- (1) Issue an order directing the person to cease and desist from engaging in the act, practice, or course of business or to take other action necessary or appropriate to comply with this chapter;

- (g) Enforcement by court; further civil penalty. If a person does not comply with an order under this section, the administrator may petition a court of competent jurisdiction to enforce the order and collect administrative civil penalties and costs imposed under the final order. The court may not require the administrator to post a bond in an action or proceeding under this section. If the court finds, after service and opportunity for hearing, that the person was not in compliance with the order, the court may adjudge the person in civil contempt of the order. The court may impose a further civil penalty against the person for contempt in an amount set forth in Section 75-71-613 for each violation and may grant any other relief the court determines is just and proper in the circumstances.
28. Miss. Code Ann. § 75-71-611(b) sets forth:
- (b) Conduct constituting appointment of agent for service.** If a person, including a nonresident of this state, engages in an act, practice, or course of business prohibited or made actionable by this chapter or a rule adopted or order issued under this chapter and the person has not filed a consent to service of process under subsection (a), the act, practice, or course of business constitutes the appointment of the administrator as the person's agent for service of process in a noncriminal action or proceeding against the person or the person's successor or personal representative.
29. Miss. Code Ann. § 75-71-613(d) sets forth:
- (d) Amount of civil penalty and further civil penalty under Section 75-71-604--administrative enforcement.**
- (1) The amount of the civil penalty described in Section 75-71-604(d) is a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each violation, provided that an additional civil penalty may be imposed up to a maximum of Fifteen Thousand Dollars (\$15,000.00) for violations of the chapter committed against elders or disabled persons.
 - (2) The amount of the further civil penalty described in Section 75-71-604(g) is a maximum of Twenty-five Thousand Dollars (\$25,000.00) for each violation.

III. ACTION NECESSARY TO PROTECT THE PUBLIC

30. The previous paragraphs are incorporated by this reference.

31. Action by the Division is necessary and appropriate in the public interest and for the protection of investors and is consistent with the purposes fairly intended by the policy and provisions of the Act.

32. Based upon the foregoing Findings of Fact, the Division makes the following:

IV. CONCLUSIONS OF LAW

33. The previous paragraphs are incorporated by this reference.

34. The Administrator, after consideration of the facts set forth above, finds and concludes that the Secretary has jurisdiction over the Respondents and this matter and that the following is in the public interest, necessary for the protection of public investors, and consistent with the purposes intended by the Act.

35. The investments in Lougel Fadio that Ly and Clements offered to PM and DE are securities within the meaning of Miss. Code Ann. § 75-71-102(28).

36. Ly, as principal of Lougel Fadio, violated Miss. Code Ann. § 75-71-501(1) when he fraudulently and intentionally represented to PM, through his agent Clements, that money from her and her mother's investment would purchase equity interest in a gold mining operation, and that PM and DE would be repaid their principal plus profits.

37. Ly, as principal of Lougel Fadio, violated Miss. Code Ann. § 75-71-501(1) when he fraudulently and intentionally represented to PM, through his agent Clements, that money from her and her mother's investment would be used to release jewels, precious metals, cash, and securities belonging to an African billionaire, and that they would be rewarded with a portion of the contents of the fictitious lock box.

38. Lougel Fadio's and Ly's acts, practices, and/or courses of business constitute the appointment of the Administrator as their agent for service of process in this action pursuant to Miss. Code Ann. § 75-71-611(b).

39. Clements violated Miss. Code Ann. § 75-71-501(1) when he misrepresented to PM that he was a partner in Lougel Fadio.

40. Clements violated Miss. Code Ann. § 75-71-501(3) when he misrepresented to PM that money from her and her mother's investment would purchase equity interest in a gold mining operation.

41. Clements violated Miss. Code Ann. § 75-71-501(1) when he promised PM that her and her mother's investment would return \$1,000,000.00 by August 2018.

42. Clements violated Miss. Code Ann. § 75-71-501(3) when he misrepresented to PM that money from her and her mother's investment would be used to release jewels, precious metals, cash, and securities belonging to an African billionaire, and that they would be rewarded with a portion of the contents of the fictitious lock box.

V. ORDER

IT IS HEREBY ORDERED:

1. That Respondents immediately CEASE AND DESIST from offering for sale and selling any security in Mississippi;
2. That Respondents immediately CEASE AND DESIST from making intentional fraudulent statements and other misrepresentations that operate as a fraud upon investors;
3. That Respondent Clements immediately provide a copy of this Order to Respondents Lougel Fadio and Ly;
3. That Respondents Lougel Fadio and Ly immediately PAY RESTITUTION to PM and DE of at least \$297,461.00, plus interest at the legal rate of interest from the date of PM's and DE's investments;

4. That Respondents Lougel Fadio and Ly immediately PAY AN ADMINISTRATIVE PENALTY of Twenty-Five Thousand Dollars (\$25,000.00) for the violations of the Act as set forth above; and

5. It is FURTHER ORDERED with respect to Clements that, due to Clements's financial condition and reliance upon PM and DE for income, the Division reserves its right to order restitution or administrative penalties against Clements at a future date, but orders that the violations of the Act set forth in this Order will become part of any subsequent order for future or continued violations of the Act and that future or continued violations of the Act or this Order will include both restitution and administrative penalties.

VI. RIGHT TO AN ADMINISTRATIVE HEARING

If the Respondents wish to contest the allegations set forth above, or offer evidence and arguments to mitigate the allegations, then the Respondents must file a request for hearing. Such request shall be made in writing to Jeffrey L. Lee, Senior Attorney, Securities Division of the Mississippi Secretary of State's Office, Post Office Box 136, Jackson, Mississippi 39205, within thirty (30) days from the date of receipt of this Order to Cease and Desist, to Pay Restitution, and to Pay Administrative Penalty. In the event such a hearing is requested, the Respondents may appear, with or without the assistance of an attorney, on a date and at a time and place to be specified and cross-examine witnesses, present testimony, evidence, and argument relating to the matters contained herein. Upon request, subpoenas may be issued for the attendance of witnesses and for the production of books and papers on the Respondents' behalf at the hearing relating to the matters contained herein. If an administrative hearing is requested, written notice of the date, time and place, will be given to all parties by certified mail, return receipt requested. Said notice will also designate a Hearing Officer. If a request for hearing is not timely filed, this Order becomes final, without any further action, by operation of law.

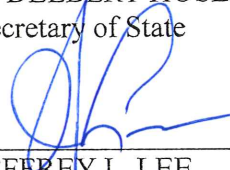
VII. RIGHT TO AMEND

The Secretary of State hereby reserves the right to amend this Order to Cease and Desist, to Pay Restitution, and to Pay Administrative Penalty for activities in violation of the Act.

ISSUED, this the 21st day of February, 2019.

C. DELBERT HOSEMANN, JR.
Secretary of State

BY:



JEFFREY L. LEE
Senior Attorney
Securities Division

CERTIFICATE OF SERVICE

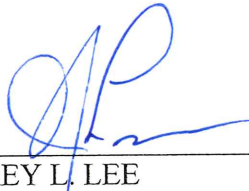
I, Jeffrey L. Lee, do hereby certify that I have this day, mailed a true and correct copy, via certified mail, return receipt requested, of the Order to Cease and Desist, to Pay Restitution, and to Pay Administrative Penalty to the following:

Mac Clements
504 Country Place Cove
Pearl, MS 39208

Lougel Fadio LLC Mining Company (SL) Limited
c/o Secretary of State of Mississippi, Securities Division
P.O. Box 136
Jackson, MS 39205

Amadou Ly, Individually
c/o Secretary of State of Mississippi, Securities Division
P.O. Box 136
Jackson, MS 39205

This the 21st day of February 2019.



JEFFREY L. LEE
Senior Attorney
Securities Division
Mississippi Secretary of State's Office

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